



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/4/2007

GAIN Report Number: ID7001

Indonesia

Grain and Feed

Rice Update

2007

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Report Highlights:

On December 21, 2006 GoI announced that it will temporarily rescind its ban and will import 500,000 tons of rice. The GoI decision is based on a recent rise in market prices and National Logistic Agency (Bulog) rice stocks.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1]
[ID]

On December 21, 2006 GoI announced that it will temporarily rescind its ban and will import 500,000 tons of rice. The GoI decision is based on a recent rise in market prices and National Logistic Agency (Bulog) rice stocks.

GoI announced that it would purchase the first 250,000 tons from other governments to be able to purchase the rice quickly. It hopes to import the rice ahead of the harvest, which will be later than usual because of late plantings due to the delayed rainy season. Also out of the ordinary, rice will be imported to ports on the island of Java. This is due to the large number of households who will benefit from the Raskin (rice for the poor) program on the island. The remaining 250,000 tons will go for open tender in February and March 2007.

Rice Import Ports of Entry	Tons
Ciwandan, Banten	66,000
Tanjung Priok, Jakarta	180,000
Tanjung Perak, Surabaya	62,000
Belawan, North Sumatra	60,000
Lhokseumawe, Nanggroe Aceh Darussalam	18,000
Padang, West Sumatra	12,000
Panjang, Lampung	24,000
Bali	6,000
Pare-pare, South Sulawesi	42,000
Bitung, North Sulawesi	6,000
Kupang, Nusa Tenggara	12,000
Ambon	6,000
Jayapura	6,000
Total	500,000

Reduced stock

On December 21, Bulog stocks were 970,000 tons. According to GoI regulation, Bulog must maintain rice stocks equivalent to 750,000 to 1,000,000 tons, which is considered to be about 3-5 percent of annual consumption. However, GoI plans to use 600,000 tons of its stock before February 2007. Of that amount, Bulog plans to distribute 100,000 tons in December, 250,000 tons in January, and another 250,000 tons in February.

Bulog will distribute some of the rice in Jakarta and the island of Java in order to reduce market prices. It will also distribute some of the rice under the Raskin program. President Yudhoyono instructed Bulog to distribute rice under the Raskin program during December 2006, a month earlier than scheduled due to high prices.

Prices

In only three weeks, the price of wholesale rice has increased 20 percent. The wholesale price of medium IR64 Grade I rose from Rp. 4,500/kg at the end of November to Rp. 5,100/kg by the third week of December (Source: Central Market Cipinang). Premium quality rice rose up to over Rp. 7,500/kg. By importing rice in January and February, GoI will use some of this rice for additional intervention and expects the price will go down to around Rp. 4,000/kg.

Market prices remain high despite an initial intervention of 46,000 tons by Bulog in December.

Rice – A Staple

Rice is the staple food for the majority of Indonesians. A meal without rice is not considered to be complete and suggests that the family lives in poverty. In the larger islands of Sumatra, Java, Kalimantan, and some parts of Sulawesi, it is a sign of social status.

Rice is so important to the lifestyle of Indonesians that during difficult times when rice prices are high and supply is limited, many people switch to eating what is locally called “nasi aking”. Nasi aking is dried, spoiled rice. To produce nasi aking, people collect leftover mostly rancid rice, and dry it in the sun. Indonesians buy nasi aking in the shops, clean it to screen out the fungus, discard rotten parts, and then cook it. To reduce the terrible taste, they mix it with some traditional brown sugar made from coconut water and grated coconut. Normally, nasi aking would be used as poultry feed.

Nasi aking costs only Rp. 750 – 1,250/kg in comparison to the price of IR64 Grade III, which is Rp. 4,600/kg. Given the current high price of even the less expensive Grade III rice, nasi aking is the only affordable option to eating rice. People who cannot afford rice at its current prices will prefer to eat nasi aking rather than other kinds of carbohydrates.

Future situation

Floods are affecting the islands of Sumatra. Nangroe Aceh Darusalam, which has not completely recovered from the tsunami two years ago, is crippled because the floods have isolated the area and paralyzed almost all modes of transportation, making it difficult to evacuate victims and provide assistance.

The North Sumatra Province of Langkat, which is about 80 km further south from the capital Medan, has been similarly affected. Floods are also affecting the Riau Province where, according to the latest updates, the flood is now covering 7 counties and getting worse. Likely Bulog will need to distribute more of its stocks to those areas in the future.

The goal of GoI is to achieve food self-sufficiency in rice and other commodities and rice is one of the more politically sensitive ones. It is of note that Vice President Kalla announced that the rice would be imported on this occasion, which limited the usual controversy surrounding a rice import decision. It remains to be seen whether this step will become a precedent for future rice import decision-making.